ABSTRACT OF THE DISCLOSURE

A regime switching vector autoregression (RS-VAR) is defined as a vector autoregression in which the parameters of the vector autoregression are functions of a set of discrete indices, which consitute the regimes. This process can be applied to interest rate models, default models, and other financial models. This can be done in the "objective" or P-measure or the risk-neutral or Q-measure of finance or other measures. One set of applications include calculation of prices, cashflows, capital, reserves, defaults, and other variables. Another set includes transactions using these including purchases and sales, producing and/or sending reports, advisory services, portfolio strategy, etc.

Typically, these applications involve using technical means such as computers or the internet. An additional class of applications are portfolios and financial products made with these methods.